



DEPARTMENT OF BUDGET AND FISCAL SERVICES

Rix Maurer III, Director
Mark Oto, Deputy Director



Director's Quarterly Employee Breakfast.

POWERS, DUTIES AND FUNCTIONS

The Department of Budget and Fiscal Services is the central budgeting and accounting agency for the City and County of Honolulu. Among its responsibilities are: long-range financial planning; managing the City's operating and capital improvement budgets; managing the City's revenue and disbursement activities and financial records; overseeing equipment inventories; and administering the City's centralized purchasing activity. Additionally, it administratively supports the Liquor Commission, three Boards of Review and two pension funds. It also administers the City's Risk Management Program.

Highlights

Rix Maurer III became the Director of Budget and Fiscal Services on January 2, 2009. Significant efforts were spent on financial analysis and providing background data to the City Council and general public for the FY 09 Operating Budget.

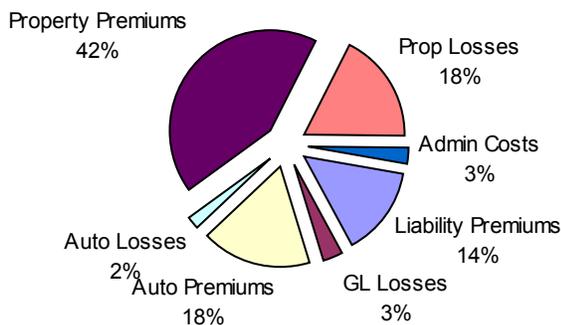
Risk Management

The City's Risk Management program, established under Section 2-5 of the Revised Ordinance, covers all City departments and agencies except the Board of Water Supply and Oahu Transit Services, and excludes workers' compensation and employee benefits. The program focuses on insurance and self-insurance to minimize the adverse financial impact of losses, as well as claims management, loss prevention and other activities.

The City is primarily self-insured for all risks of loss or damage, and purchases excess insurance above the self-insurance program to provide additional financial resources to cover the City's liabilities. In addition, commercial insurance is purchased to address unique risks or to satisfy statutory or contractual obligations. Self-insurance costs are generally stable, but commercial insurance costs are subject to conditions of the insurance market place.

In FY 09 Operating Budget, the insurance marketplace was fairly stable with little change in premium rates from the prior year. Reported liability losses for FY 09, at first valuation, are consistent, but damage from the December 2008 storm, is currently estimated at \$1.3M altogether. The following chart shows the breakdown of risk management costs for FY 09.

City Risk Management Costs FY09



* GL losses funded through Department of Corporation Counsel

ACCOUNTING DIVISION

Nelson H. Koyanagi, Jr., Chief Accountant

POWERS, DUTIES, AND FUNCTIONS

The Accounting Division plans, develops, directs and coordinates central accounting for the City and County of Honolulu; provides financial services to departments and agencies; reviews the manner in which public funds are received and expended; insures that monies withdrawn from operating budgets are in accordance with operating budget ordinance and allotments; administers central preparation of payroll; liquidates claims under a centralized voucher system; and prepares financial statements and reports on City operations.

Accomplishments

The Division worked with the Budgetary Administration Division and the departments and agencies with the preparation of the FY 10 operating budget. The Division also prepared expenditure schedules in accordance with the approved FY 09 budget ordinance, per the Revised Charter of the City and County of Honolulu.

The Division provided financial planning, guidance and analytic support to the Departments and agencies to meet their goals and objectives.

Financial statements and reports issued

- City and County of Honolulu's Comprehensive Annual Financial Report (CAFR) ending June 30, 2008 for which the City was awarded the Certificate of Excellence in Financial Reporting by the Government Finance Officers Association (GFOA). The City has received this prestigious award for 22 of the last 23 years.
- Budget and Fiscal Services Director's Quarterly Financial Reports for the last quarter of FY 08 and the first three quarters of FY 09.
- The Local Highway Finance Report for the fiscal year ended June 30, 2008 was submitted to the Hawaii Department of Transportation (DOT) in December 2008. DOT consolidates the information provided by the Counties and submits a consolidated report to the Federal Highway Administration (FHWA) which is used to determine Hawaii's allocation of federal funding.

The Accounting Division assisted in the successful implementation of an upgrade to the City's financial management system. The new version of the software provides added functionality and ensures future compatibility between the financial and the payroll and human resource management applications in C2HERPS. The Accounting Division staff also continues to actively participate in the planning, design and implementation of the payroll and human resource management portion of the C2HERPS project, which is expected to be in operation sometime in calendar year 2010.

BUDGETARY ADMINISTRATION DIVISION

Darryl Chai, Budget Program Administrator

POWERS, DUTIES AND FUNCTIONS

The Budgetary Administration Division administers the budgetary management and analysis program of the Executive Branch of the City and County of Honolulu. This includes the preparation and submittal of the annual Executive Program and Budget to the City Council, as well as analysis and administration of the budgetary management programs of the 23 executive agencies in the City and County of Honolulu.

Preparation and Submittal of the Mayor's Executive Operating Program and Budget

As required by the Revised Charter of the City and County of Honolulu 1973 (2000 Edition), the Director of Budget and Fiscal Services shall prepare the operating and capital program and budget, and necessary budget ordinances and amendments or supplements thereto under the direction of the Mayor.

To accomplish the above, the division received, reviewed, evaluated and finalized the Mayor's Fiscal Year 2009-2010 Executive Operating Program and Budget proposal, which totaled \$1,813.0 million. This was \$5.1 million more than the previous fiscal year, or an increase of 0.3 percent. This increase was primarily due to increases in non-controllable costs and arbitrated pay raises. Excluding these factors, the Mayor's proposed budget represented a 3.5 percent decrease of \$62.6 million from the previous fiscal year.

Non-controllable costs continued to increase in FY 10. The primary areas of change included the City's debt service, which increased by \$21.0 million; police officers and fire fighters negotiated pay raises, which increased by \$20.0 million; employer health contributions (EUTF), which increased by \$16.5 million; bus drivers negotiated pay raises, which increased by \$4.5 million; contribution to the Employees' Retirement System, which increased by \$3.3 million; and social security contributions, which increased by \$2.3 million.

Proactive budget decisions taken during FY 09 included:

- Budget restrictions in FY 09 of 2% and 3%
- Hiring freeze
- Travel restrictions
- Restriction on reorganizations and reallocations resulting in cost increases
- Equipment purchases deferred
- Restriction on unbudgeted equipment purchases and leases.

In order to lower the overall increase in the operating budgets of the executive agencies, a total of \$36.3 million in salary funds, which is the equivalent of approximately 800 positions, was cut from the budgets of the executive agencies.

Highlights of the Mayor's Proposed Operating Budget

- 5% salary cuts for Mayor and appointed Cabinet members and City managers pay freeze to be transferred to the Fiscal Stability Reserve Fund.
- Increase in residential real property tax rates to FY 07 level.
- \$75 tax credit on the property tax bill for qualifying homeowners.
- User fee increases for TheBus, Honolulu Zoo and Zoo parking and Golf to cover a more equitable share of the subsidized cost of these services.
- Other fee increases include motor vehicle weight tax, highway beautification, park facility attendant, and Honolulu Police Department alarm and special duty fees.
- Funding of \$13.4 million in the Provision for Energy Costs to meet the increasing fuel and electricity costs.

- Funding to ship solid waste off-island.
- Continued funding for the new Rapid Transit Division in the Department of Transportation Services to implement Honolulu's high-capacity transit system and for the new Transit-Oriented Development Office in the Department of Planning and Permitting for the planning of land use surrounding transit stations.

Adoption of the Operating Budget The City Council adopted an Operating Budget for FY 10 totaling \$1,818.6 million. This included \$1,805.2 million for the Executive Operating Budget for the Executive Branch and \$13.4 million for the Legislative Budget for the Legislative Branch, which includes the City Council, Office of Council Services, the City Clerk and the City Auditor.

The FY 10 Executive Operating Budget appropriations for the executive branch are shown by function below.

<u>Function</u>	<u>Executive Operating Budget (in millions)</u>	<u>% of Total</u>
General Government	\$ 183.6	10.2
Public Safety	370.3	20.5
Highways and Streets	25.8	1.4
Sanitation	245.6	13.6
Health and Human Resources	81.1	4.5
Culture-Recreation.....	88.6	4.9
Utilities or Other Enterprises.....	210.0	11.6
Debt Service	333.6	18.5
Miscellaneous	266.6	14.8
TOTAL	\$1,805.2	100.0

Execution of the Executive Operating Program and Budget

The Revised Charter of the City and County of Honolulu 1973 (2000 Edition) specifies that the Director of Budget and Fiscal Services shall review the operating and capital budget program schedules of each executive agency and make budgetary allotments for their accomplishments with the approval of the Mayor, and review all executive agency requests for the creation of new positions.

The Budgetary Administration Division provided the above services for the Executive Operating Program and Budget and worked to ensure that the executive operating expenditures for the fiscal year were made as appropriated and authorized.

FISCAL/CAPITAL IMPROVEMENT PROGRAM (CIP) ADMINISTRATION DIVISION

Alan B. Kilbey, Chief Fiscal/CIP Analyst

POWERS, DUTIES, AND FUNCTIONS

The Fiscal/CIP Administration Division administers the City's six-year capital program, citywide revenue, central accounts, long-range financial planning programs; and the U.S. Department of Housing and Urban Development's Community Development Block Grant, HOME Investment Partnerships, Emergency Shelter Grant and Housing Opportunities for Persons With Aids programs.

FISCAL/CIP ANALYSIS BRANCH

This branch prepares the capital program and budget and necessary budget ordinances and amendments or supplements thereto. It also reviews the capital budget program schedules of each executive agency, makes budgetary allotments, and analyzes and develops debt service programs for the City.

Accomplishments in FY 09-2010 Capital Budget

The Mayor submitted a FY 10 Capital Budget of \$1.695 billion. The City Council adopted a Capital Budget of \$1.699 billion.

The Capital Budget appropriations, shown by function, are summarized below:

<u>Function</u>	<u>Amount (in millions)</u>	<u>% of Total</u>
General Government	\$39	2%
Public Safety	44	3%
Highways and Streets.....	132	8%
Sanitation	322	19%
Human Services	14	1%
Culture-Recreation.....	38	2%
Utilities or Other Enterprises.....	1,110	65%
TOTAL	\$1,699.....	100.0%

Detailed below is a breakdown by funding source of the Capital Budget:

Source	Amount (in millions)	% of Total
Borrowed Funds.....	\$1,464.7.....	86.0%
Federal Funds.....	54.0.....	3.0%
Special Projects Fund.....	1.....	1.0%
Transit Fund.....	150.0.....	8.0%
City Funds.....	30.2.....	2.0%
TOTAL.....	\$1,699.0.....	100.0%

Execution of the Capital Budget

The Fiscal/CIP Branch monitored the implementation of capital projects through review and recommendations of CIP appropriation allotment requests, requests for independent consultants and amendments, requests to increase construction contract contingencies and the CIP quarterly status report. In regard to capital budget spending, this branch is extensively involved in the analysis and monitoring of the encumbrances and expenditures of funds for capital projects due to the increasing debt service of the City.

Community Development Block Grant/Federal Grants Branch

The Federal Grants Branch serves as the City’s lead entity in the administration, financial management, reporting and monitoring of the U.S. Department of Housing and Urban Development’s (HUD) entitlement programs including the Community Development Block Grant, HOME Investment Partnerships, Emergency Shelter Grants and Housing Opportunities for Persons With AIDS programs. In FY 09, the City received additional economic stimulus funding for two new programs, the Homeless Prevention and Rapid Re-Housing Program and the Community Development Block Grant-Recovery Program, funded by the American Recovery and Reinvestment Act (the Recovery Act) of 2009.

Projects funded by the HUD programs are implemented in close partnership with the Department of Community Services, the Department of Design and Construction, other City implementing agencies and nonprofit sub recipients throughout Honolulu, providing services and facilities primarily for the benefit of low- and moderate-income persons. The City’s HUD programs are described below.

Community Development Block Grant (CDBG)

The CDBG program provided Honolulu with \$9.66 million of entitlement funds and generated more than \$1.88 million in program income in FY 09. Since the inception of the CDBG program 1974, the City has utilized approximately \$452 million to undertake various housing, public facility, public services, economic development and public works activities, designed to develop viable urban communities through the provision of decent housing and a suitable living environment, principally for persons of low- and moderate income.

HOME Investment Partnerships (HOME)

The HOME program provides entitlement funds, authorized under Title II of the National Affordable Housing Act of 1990, to the City to provide affordable housing opportunities for lower income individuals and households. In FY 09, more than \$7.3 million was expended for projects that addressed the housing needs of Honolulu’s lower income households. The City has received approximately \$74 million in HOME funds through the end of FY 09.

Emergency Shelter Grants (ESG)

The ESG program, authorized under Subtitle B of Title IV of the Stewart B. McKinney Homeless Assistance Act, provides funds to assist the homeless population. During FY 09, the ESG program expended \$443,249. As of the end of FY 09, the City has used more than \$7.6 million in ESG for various rehabilitation activities and programs that serve Honolulu’s homeless population.

Housing Opportunities for Persons With AIDS (HOPWA)

Authorized by Public Law 101-624, the AIDS Housing Opportunity Act, as amended, HOPWA funds are used to meet the housing needs for persons with AIDS or related diseases and their families. During FY 09, the HOPWA program expended \$486,690. In the ten-year period since Honolulu first received HOPWA funds, almost \$4.2 million has helped provide rental housing and supportive service assistance to Honolulu’s at-risk HIV-positive population.

Homeless Prevention and Rapid Re-housing Program (HPRP)

In response to the economic crisis, in February 2009 Congress passed the American Recovery and Reinvestment Act (the Recovery Act) of 2009 which included HPRP funding for assistance to low-income households and households vulnerable to homelessness. The City received an entitlement award of over \$4 million to implement nine HPRP projects that provide financial assistance and services to prevent individuals and families who would be homeless but for this assistance, and help those who are experiencing homelessness to be quickly re-housed and stabilized. Projects will be implemented in Fiscal Year 10 and must be fully expended within three years.

Community Development Block Grant/Recovery (CDBG-R)

The Recovery Act of 2009 also provided funds for the CDBG-R program, which is not limited to, but focuses on “shovel-ready” infrastructure projects that create or sustain jobs in the near-term and generate maximum economic benefits in the long-term.

The City received an entitlement award of over \$2.6 million for seven projects that were selected based on their ability to meet the program's goals and strict implementation deadlines. As with HPRP, CDBG-R projects will be implemented in FY 10.

Accomplishments

During the past year, the Federal Grants Branch accomplished the following planning, development and administrative tasks in its oversight of the CDBG, HOME, ESG and HOPWA programs:

- Implemented and administered a Request for Proposals (RFP) process for selection and awarding of FY 10 CDBG/HOME projects.
- Completed the Consolidated Annual Performance and Evaluation Report (CAPER) for the CDBG, HOME, ESG and HOPWA programs for the period ending June 30, 2008 (FY 08).
- Completed the 15th Year Action Plan, detailing FY 10 projects to be undertaken by the City for the CDBG, HOME, ESG and HOPWA programs; while doing so, reviewed about 70 applications and pre-qualification documents.
- Completed a substantial amendment of the FY 09 14th Year Action Plan, to incorporate activities and funding for HPRP projects.
- Completed a second substantial amendment of the FY 09 14th Year Action Plan, to incorporate activities and funding for CDBG-R projects.
- Completed the Consolidated Planning document for the entitlement programs for the next five-year period from FY 11 through FY 15.
- On an ongoing basis, completed tasks as required for compliance with the City's Citizen Participation Plan including: coordinating consultation meetings with service providers, beneficiaries and the general public; issuing public notices of hearing/meetings on program-related matters, substantive changes to the Action Plans, availability of public reports for review; issuing notices of fund availability; and responding to program comments and complaints.
- Provided interpretive and technical program assistance to various city agencies and private nonprofit organizations, including the annual CDBG/HOME workshop for subrecipients.
- Monitored internal and sub recipient compliance with federal, state and local law.
- Assisted in the City's single audit.
- Provided monthly status reports and completed tasks required to resolve findings and concerns identified during HUD's FY 08 on-site monitoring for the CDBG/HOME programs.
- Provided HUD with project and expenditure information using HUD's Integrated Disbursement and Information System (IDIS) and responded to HUD correspondence regarding CDBG and HOME timeliness requirements and deadline compliance notices.

Fiscal/Long-Range Planning Branch

This branch analyzes and develops the City's revenue estimates, central accounts and long-range financial planning programs. It also analyzes, administers, and monitors the City's general and special revenue funds.

Accomplishments

In collaboration with the Budgetary Administration Division, the branch evaluated and finalized the Mayor's FY 10 Executive Operating Budget proposal, which totaled \$1,812.9 million. After review and revisions the City Council adopted an operating budget of \$1,805.1 million. The Fiscal/Long-Range Branch ensured that individual special funds and the general fund were in balance upon submission to the City Council. It also estimated and proposed the means to finance the City's budgets, enabling it to carry out its functions and responsibilities. All revenue sources were analyzed and the estimates finalized.

Detailed below is a breakdown by revenue sources of the operating budget:

<u>Source</u>	<u>Amount (in millions)</u>	<u>% of Total</u>
Real Property Tax	\$ 837.4	41.1 %
Fuel Tax	49.5	2.4 %
Motor Vehicle Weight Tax	82.2	4.0 %
Public Utility Franchise Tax	37.2	1.8 %
Transient Accommodations Tax	43.1	2.1 %
Public Service Company Tax	48.2	2.4 %
Excise Surcharge Tax-Transit	21.1	1.0 %
Federal Grants	94.3	4.6 %
State Grants	6.1	3 %
Licenses and Permits	47.5	2.3 %
Charges for Services	30.2	1.5 %
Sewer Revenues	266.4	13.1 %
Bus Transportation Revenues	50.2	2.5 %
Solid Waste Disposal Revenues	95.0	4.7 %
Other Revenues	69.5	3.4 %
Carry Over (including carry over of H-POWER Equity Funds)	260.0	12.8 %
TOTAL	\$ 2,037.9	100 %

Taxes (real property, fuel, motor vehicle, public utility franchise, transient accommodations and public service company) provided \$ 1,118.7 million to finance the \$ 1,805.1 million operating budget. Sewer and solid waste fees, which fund operations and projects that maintain the City's pristine environment, provided \$ 361.4 million. Other revenues included reimbursements from the State of Hawaii for the performance of their functions.

FY 09-2010 Real Property Tax Rates

Real property assessments declined slightly as a result of a weak real estate market affected by the higher interest rates and an unstable mortgage loan market. The tax rates for all classes, except residential, were maintained at the FY 09 levels. The residential class rate which consolidates the previous single family residential, apartment/condominium and unimproved residential classes increased to \$3.42 per thousand of assessed value. The non-residential tax rate for commercial, industrial and hotel/resort land uses remained at \$12.40, the rate for agriculture and preservation remained at \$5.70 per thousand of assessed value.

FY 09-2010 Debt Service and Central Accounts

Debt service and central accounts are obligations of the City that must be paid, over which it has limited control. For debt service payments, the Fiscal/CIP Branch worked in conjunction with the Budgetary Administration, Treasury and Accounting Divisions to develop the amounts required. The remaining costs were developed in collaboration with other divisions, departments and State personnel.

The table below illustrates debt service payments and central accounts for the City:

Debt Service	\$ 333.6
Retirement Contributions.....	95.9
FICA Tax	26.1
Workers' Compensation	14.1
Unemployment Compensation.....	5
Health Fund.....	102.3
Provision for Salary Adjustment	2.0
Provision for Judgments and Losses	10.0
Provision for Risk Management	8.4
Provision Energy Costs	6.2
Provision for Matching Funds	1.0
Provision for Other Post-Employment Benefits	
TOTAL	\$ 600.1

Long-Range Financial Plan from FY 2010-2015

The financial plan covers six years and was developed by first compiling data and projections developed by various sources. The primary portion of the base year expenditures and revenues was based on the FY 10 operating and capital budgets. For out years, compilations utilized were (1) long-range plans for most enterprise fund operations, (2) debt service projections, (3) the six-year capital program and (4) estimates based on projections developed and/or provided by the State of Hawaii's Budget and Finance Department. Anticipated new cost projections were developed by city agencies. Other costs and revenues were adjusted in accordance with projections developed by the State of Hawaii Council on Revenues. The projected amounts were analyzed and a statement of how to meet future expenditure requirements was developed.

INTERNAL CONTROL DIVISION

Michael R. Hansen, Chief Accountant

POWERS, DUTIES, AND FUNCTIONS

The Internal Control Division performs professional and objective examinations and evaluations of the City's financial activities. Seven staff members audit, review, and monitor the controls and processes for safeguarding City assets and recording financial transactions; and recommend practical changes and cost effective improvements. The division personnel include certified public accountants and certified government financial managers.

SIGNIFICANT ACCOMPLISHMENTS FOR FY 09

Annual Recurring Audits, Reviews and Evaluations

- Completed follow-up review of the independent auditor's financial and single-audit comments, and coordinated the City's response to the independent auditors.
- Coordinated the response to the independent auditor's Federal Grants Risk Assessment Questionnaire.
- Completed quarterly cash audits and prepared statement of the amount and kind of funds in the City Treasury as required by the City Charter.
- Investigated and responded to various Integrity Hotline reports.
- Monitored City agency compliance with petty cash and change funds policies and procedures.
- Audited the annual H-Power true-up billing and the ferrous revenue/expenditure contracts submitted by the plant operator.
- Conducted review of Environmental Services Coal Conveyor Easement Contract revenues for accuracy and completeness.
- Developed the City's consolidated local central service cost allocation plan and indirect cost rates.
- Performed audit of relocation transactions.

- Monitored the low/moderate income housing compliance requirements for projects in the Multi Family Housing Program.
- Reviewed and provided updates to the Budget and Fiscal Services policies and procedures manual.
- Updated and developed new policies for the Administrative Directives Manual.

Special Studies and Investigations

- Maintained the fraud awareness and internal control intranet information website.
- Performed financial analysis and support for various ongoing investigations alleging fraud.
- Completed transaction reviews and provided guidance regarding apparent irregularities reported by various City agencies.
- Provided internal control review and analysis services to various departments on a project- by-project basis.
- Performed analysis and review of the City’s public service company tax program, identifying additional companies and revenues due the City.
- Established revised procedures and forms to collect the City’s public service company tax.
- Participated as a member of the Mayor’s Project Management team and provided consulting and analysis services to the office.
- Performed reviews of requests by various departments to amend petty cash and change fund amounts.
- Coordinated the renewal of the contract and compiled statistics for the credit card program.
- Reviewed the new technological developments and pricing concepts for credit card acceptance processing and prepared a six-month extension of the contract.
- Provided ongoing review to ensure accountability of the use of City funds expended through the purchasing card program.
- Coordinated follow-up responses to City Auditor (OCA) audit recommendations for various OCA audits.
- Computed the City’s financial condition ratios.
- Performed preliminary review of telecom lease revenues received and recorded in the general ledger.
- Developed guidelines for the proper reporting of the City’s capital assets in accordance with the reporting requirements established by the Governmental Accounting Standards Board.
- Designed a new fraud awareness poster.
- Assisted in the evaluation of accepting credit card payments for real property tax appeal fees, via the internet.
- Performed a fuel price risk management program preliminary evaluation.

LIQUOR COMMISSION

Dewey H. Kim, Jr., Administrator
Anna C. Hirai, Assistant Administrator

POWERS, DUTIES AND FUNCTIONS

Pursuant to Chapter 281 of the Hawaii Revised Statutes, the Liquor Commission has the sole jurisdiction, power, authority and discretion to grant, refuse, suspend and revoke any license for the manufacture, importation or sale of liquor within the City and County of Honolulu. The Commission also hears and adjudicates violations of liquor laws and rules committed by liquor licensees and non-licensees. The City Charter administratively attaches the Liquor Commission to the Department of Budget and Fiscal Services.

Liquor Commission Board

The Board’s five members are appointed by the Mayor and confirmed by the City Council. Each commissioner serves a five-year term with the term of one member expiring each year.

<u>Member</u>	<u>Term Expires</u>
Dennis Enomoto, Chairman	December 31, 2010
*Iris R. Okawa, Co-Vice Chair	December 31, 2008
*Gregg Hammer, Co-Vice Chair	December 31, 2006
Jon F. Yamaguchi	December 31, 2009
Michael S. Yamaguchi	December 31, 2014

Licenses and Permits

There were 1,364 liquor licenses in effect within the City and County of Honolulu as of June 30, 2009. The Commission’s Licensing Section investigates applicants for liquor licenses, and responds to liquor license inquiries. Activities this fiscal year included the following:

Investigations and Reports Completed:	
New premises	57
License transfers	35

*Pending Reapportionment

Temporary licenses.....	39
Special/Caterer licenses	90
Special one-day licenses [see Administrative section]	
Transient Vessel licenses	36
Change of class	1
Reports on new officers and directors	68
Requests for extensions and alterations to premises.....	46
Reports on transfers of corporate stock.....	34
Field inspections.....	201
Miscellaneous investigations, reports and other activities	352
Field Audits [see Audit section]	

Program Purpose

The Enforcement Section of the Honolulu Liquor Commission has a well defined and focused mission, driven by following a strict Standards of Conduct and Code of Ethics.

Strategic Plan

There are limited numbers of specific long-term performance measures that focus on outcomes and meaningfully reflect some of the goals of the commission. The long term performances measures are focused on results and accountability. These performances and their outcome were approved as the “Strategic Plan” and adopted by the Honolulu Liquor Commission in September 2005.

Program Results/Accountability

During this fiscal year there were approximately 10,225 investigations conducted. Approximately 65 written warnings and 485 violations, of which 55 were Complaint and Summons, were issued to individual in liquor-licensed premises. The majority of the Complaint and Summons were issued to individuals who served to minors, or in some cases to the minors if they were between the ages of 18 and 21 years old. There were an estimated 359 complaints, which addressed everything from serving minors to more serious criminal allegations against persons and the public in general. There continues to be a significant increase in noise, and criminal complaints, and complaints against unlicensed premises. All complaints are investigated regardless of their nature.

Involvement With Other Programs

The Enforcement Section conducted 12 joint operations involving other law enforcement agencies to investigate violations of both the criminal and liquor laws. These agencies included the Honolulu Police Department, Department of Homeland Security, U.S. Immigration & Customs Enforcement and the Federal Bureau of Investigation.

During the fiscal year, there were two very successful programs with the University of Hawaii Cancer Research Center and the Honolulu Police Department: The “Team Plus” and “Re-Act” programs are specifically designed to cite individuals as well as liquor-licensed premises who are serving alcohol to minors. A third program, “Shoulder Taps”, is run entirely by the Honolulu Liquor Commission.

Staffing and Training

The training program for new investigators is 12 weeks, which includes a four-week Field Training Officer program. This expanded training has resulted in investigators being much more effective in the implementation of their daily duties. Staffing has improved; however, there is still a critical need for middle management investigators.

Training

The Server-Training Program certified 3,560 bartenders and managers for licensed premises who were trained in the dangers of driving while intoxicated, preventions and interventions to over-service of alcohol and Hawaii liquor laws. In addition, the Liquor Commission presented on-site liquor service awareness training to more than 1,900 liquor service staff, at 16 licensed premises (hotels and/or restaurant). The training focused on preventing liquor over-service, recognition of ID security features, and consequences of underage sales and service. “Project LEARN”, an alcohol awareness program, was conducted for middle and high school students. Our agency also supported “Be Smart, Don’t Start”, a mock car crash, held at Pearl City High School and conducted a seminar and several presentations, thus educating 1,599 students.

School Presentation or Student Seminar

<u>Event</u>	<u>School</u>	<u># of Students</u>	<u>Date Conducted</u>
Mock Car Crash.....	Pearl City High School	900 students	04/09/09
Presentations.....	UH Manoa.....	90 students	04/13/09
Presentations.....	Kalaheo High Scheool.....	200 students	04/30/09
Presentation.....	Ewa Elementray.....	40 students	05/06/09
Presentation.....	Nanakuli High School.....	89 students	05/07/09
Seminar.....	Dave and Busters	100 students	05/09/09
Presentation.....	Kamiloa School.....	50 students	05/21/09
Presentation.....	Kailua High School.....	130 students	05/22/09

On-Site Training

1. The O Lounge.....	01/20/09	40
2. Haleiwa Joe's.....	01/22/09	35
3. Xyloh.....	01/24/09	10
4. Banana Leaf.....	01/29/09	28
5. Tamura's Market.....	02/12/09	35
6. Royal Hawaiian.....	02/13/09	55
7. Costco Kapolei.....	02/19/09	40
8. Don Ho's.....	03/02/09	25
9. Outrigger Reef Hotel.....	03/05/09	60
10. Mooses Waikiki.....	03/10/09	59
11. Ali'i Catmaran.....	03/12/09	44
12. Target Salt Lake.....	03/24/09	39
13. Waikiki Prince Kuhio.....	05/28/09	56
14. Alan Wong's Restaurant.....	06/06/09	37
15. Zanzabar Night Club.....	07/31/09	37
16. Sheraton Waikiki.....	06/16-26/09	1,300 employees

Secret Shoppers "Train the Trainer"

1. Don Quijote/Waipahu.....	02/26-27/09	100 employees
2. Don Quijote/Kaheka.....	03/18-20/09	124 employees
3. Don Quijote/Kailua.....	04/02-03/09	98 employees
4. Aloha Petroleum.....	05/12/09	39 employees
5. Aloha Petroleum.....	05/19/09	36 employees
6. Foodland Stores.....	07/07/09	55 employees
7. Foodland Stores.....	07/09/09	34

Extra curricular activies supported

1. Backyard Jam @ Kapiolani Park.....	02/22/09
2. Breakthrough @ Windward Mall.....	08/29/09

Adjudications

The Liquor Commission is responsible for adjudicating liquor law violations. The liquor investigators, the Honolulu Police Department, and other law enforcement agencies refer these violations. The Commission adjudicated a total of 473 violations, which included 173 violations pertaining to minors.

These adjudications resulted in the following actions:

Licenses revoked.....	2
Revocations by violation.....	9
Licenses suspended.....	5
Suspensions by violation.....	41
Fines assessed by violation.....	429
Violations adjudicated guilty (fined, revoked, suspended, reprimanded & other).....	460
Violations dismissed (dismissals, acquittals).....	13
Amount of fines assessed.....	\$270,213

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Schedule B.....	License Fees Realized by Classification (FY 2007-2008)
Schedule C.....	Breakdown of Receipts for FY 1999-2008 (in dollars)

SCHEDULE A -- LICENSES IN EFFECT (FY 2008)

Classification.....	June 30, 2009
Brew Pub: General.....	3
Cabaret: General (Nudity).....	4
Cabaret: General (Standard).....	36
Club: General.....	13
Beer & Wine (Dancing).....	3
Beer & Wine (Standard).....	9
General (Dancing).....	77
General (Dancing, Hostess).....	40
General (Hostess).....	67
General (Nudity, Dancing, Host).....	6
General (Nudity, Hostess).....	15
General (Standard).....	77

Hotel: General.....	35
Manufacturer: Other Liquor	0
Beer & Wine (Sake)	1
Restaurant: General (Dancing)	298
General (Standard).....	90
Beer & Wine (Dancing).....	30
Beer & Wine (Standard)	27
Retail: General.....	486
Beer & Wine	43
Tour and Cruise Vessel: General	19
Transient Vessel (Annual): General	1
Wholesale: General.....	26
Beer & Wine.....	5
Grand Total:	1,411

**LICENSE FEES REALIZED
2008-2009 SCHEDULE B**

<u>CLASS OF LICENSE</u>	<u>RENEWALS</u>	<u>BASIC LIC. FEES</u>	<u>GLS (additional fees)</u>	<u>TOTAL</u>
CATERER LICENSE.....			7,110.00	7,110.00
Less charge card fees.....		-3,928.28		-3,928.28
subtotal of catering license less c/c fee.....				3,181.72
		0.00		0.00
BREW PUB.....		0.00		0.00
General.....	5,040.00	0.00		5,040.00
Additional Fees.....		0.00	17,540.05	17,540.05
		0.00		0.00
MANUFACTURER		0.00		0.00
Wine.....	660.00	0.00		660.00
Other Liquors.....		0.00		0.00
Additional Fees.....		0.00		0.00
		0.00		0.00
WHOLESALE.....		0.00		0.00
General.....	68,640.00	0.00		68,640.00
Beer & Wine.....	3,360.00	350.00		3,710.00
Additional Fees.....		0.00	57,229.42	57,229.42
		0.00		0.00
RETAIL.....		0.00		0.00
General.....	567,600.00	6,100.00		573,700.00
Beer & Wine.....	37,800.00	0.00		37,800.00
Additional Fees.....		0.00	376,280.32	376,280.32
		0.00		0.00
DISPENSER.....		0.00		0.00
General - Category 1.....	92,400.00	0.00		92,400.00
General - Category 2.....		0.00	1,560.00	1,560.00
General - Category 3.....	92,280.00	2,640.00		94,920.00
General - Category 4.....	96,480.00	0.00		96,480.00
General - Category 3 & 4.....	60,000.00	0.00		60,000.00
General - Category 2 & 3.....		0.00		0.00
General - Category 2 & 4.....	24,300.00	0.00		24,300.00
General - Category 2,3,& 4.....	10,440.00	0.00		10,440.00
Beer & Wine - Category 1.....	8,100.00	0.00		8,100.00
Beer & Wine - Category 3.....	1,920.00	0.00		1,920.00
Additional Fees.....		0.00	205,225.40	205,225.40
		0.00		0.00
CABARET		0.00		0.00
General - Category 1.....	67,320.00	3,465.00		70,785.00
General - Category 2.....	9,600.00	0.00		9,600.00
Additional Fees.....		0.00	217,627.57	217,627.57
		0.00		0.00
CLUB.....		0.00		0.00
General.....	8,580.00	1,650.00		10,230.00
Additional Fees.....		0.00	18,460.82	18,460.82
		0.00		0.00
HOTEL		0.00		0.00
General.....	130,680.00	3,960.00		134,640.00
Additional Fees.....		0.00	392,535.78	392,535.78
		0.00		0.00

RESTAURANT	0.00	0.00	0.00
General - Category 1	96,000.00	9,000.00	105,000.00
General - Category 2	372,240.00	14,190.00	386,430.00
Beer & Wine - Category 1	21,600.00	2,100.00	23,700.00
Beer & Wine - Category 2	27,840.00	0.00	27,840.00
Additional Fees	0.00	425,490.17	452,490.17
TRANSIENT VESSEL	0.00	0.00	0.00
Per Day	0.00	0.00	0.00
Per Year	1,320.00	0.00	1,320.00
Additional Fees	0.00	0.00	0.00
TOUR OR CRUISE VESSEL	0.00	0.00	0.00
General	17,100.00	11,160.00	28,260.00
Additional Fees	0.00	5,322.74	5,322.74
SPECIAL	0.00	0.00	0.00
General	2,760.00	2,760.00	2,760.00
Beer & Wine	310.00	310.00	310.00
Beer	0.00	0.00	0.00
TEMPORARY	0.00	0.00	0.00
Brew Pub	0.00	0.00	0.00
Cabaret General	275.00	275.00	275.00
Dispenser General	2,475.00	2,475.00	2,475.00
Dispenser Beer & Wine	275.00	275.00	275.00
Retail General	2,750.00	2,750.00	2,750.00
Retail Beer & Wine	0.00	0.00	0.00
Restaurant General	3,025.00	3,025.00	3,025.00
Restaurant Beer & Wine	275.00	275.00	275.00
Hotel General	275.00	275.00	275.00
Wholesale General	0.00	0.00	0.00
Additional Fees	0.00	274.35	274.35
TOTALS	1,821,300.00	70,286.72	1,742,712.27
			*3,634,298.99

*includes additional fees from Gross Liquor Sales

SCHEDULE C -- BREAKDOWN OF RECEIPTS FOR FY 2008-2009 (in dollars)

<u>License Fees</u>	<u>Filing Fees</u>	<u>Fines</u>	<u>Registration I.D.Cards</u>	<u>Misc.</u>	<u>Total</u>
\$3,668,735	\$4,750	\$286,643	\$117,990	\$15,125	\$4,093,243

PURCHASING DIVISION

Wendy K. Imamura, Central Purchasing and Contracts Administrator

POWERS, DUTIES AND FUNCTIONS

The Purchasing Division's 28 employees are responsible for procuring all materials, supplies, equipment and services for city departments and agencies; processing construction, consultant and personal services contracts required by the City; maintaining inventory of all city personal property and effects exchange, disposal sale or transfer of surplus equipment; managing city-owned real property, including rentals, leases, and concessions; administering the housing relocation functions.

The Purchasing Branch is divided into three sections which support assigned departments for centrally purchasing goods and services for city agencies. It also establishes standards and specifications, develops proposal documents and provides technical assistance to agencies to assure quality purchases at reasonable prices.

Goods and Services

A comparison of the workload for the past two years is as follows:

	<u>FY 07-08</u>	<u>FY 06-07</u>
Advertised bid solicitations	206	175
Request for proposal solicitations	9	17
Contracts awarded	159	189
Small purchases awarded	994	1266
Total dollars awarded	\$215,095,241	\$145,188,964

The branch continued to make price-list contract awards to obtain better prices on commonly purchased items. For these contracts, vendors agree to provide goods and services to the City at a fixed price for a set period, typically one year. If an item is less than \$5,000 in cost and is not on the price list, an agency must make the effort to get three price quotes before making award directly to

a vendor by issuing a purchase order. The Purchasing Division will solicit price-lists if the total anticipated procurement is in excess of \$50,000 for a twelve month period. The following is a comparison of the decentralized purchasing activities:

	<u>FY 07-08</u>	<u>FY 06-07</u>
Number of price lists	154	201
Number of price list purchase orders	2,114	3,696
Price list purchases	\$44,060,485	\$23,180,819
Number of direct purchase orders	4,339	9,112
Direct purchase orders	\$5,214,549	\$29,579,083

Concessions

Concessions awarded during FY 07-08 included:

<u>Concessions</u>	<u>Monthly Rental</u>
Kukui Plaza Parking	\$68,700
Koko Head Stables	\$2,033
Sandy Beach Lunch Wagon	\$600
Kailua Beach Lunch Wagon	\$400
Pali Golf Course Pro Shop	\$105

Construction Contracts

The Purchasing Branch processes the City's public works construction and improvement district project contracts as well as the consultant and personal services contracts. Duties include reviewing the contracts, making appropriate recommendations, and providing technical assistance, counseling, and guidance. The City awarded 146 contracts, excluding the Board of Water Supply, for a total of \$313,651,594. The section awarded the following significant construction projects during FY 07-08.

Waimalu Sewer Rehabilitation/Reconstruction - Phase I	\$45,112,000
Wilhelmina rise Sewer Rehabilitation	\$16,864,823
Kapiolani Area Revised Sewer System	\$11,711,311
Honouliuli Wastewater Treatment Plant Upgrade - Phase I	\$ 8,489,727
Extension of Kapolei Parkway, Phase 8C	\$ 3,746,554
Kalihi Valley - Reconstructed Sewer	\$ 3,055,691

The following is a comparison of construction contract statistics during FY 07-08 and FY 06-07:

	<u>FY 07-08</u>	<u>FY 06-07</u>
Projects advertised	149	98
Contracts awarded	146	86
Total dollar value awarded	\$313,651,594	\$160,017,023

Consultant and Personal Services Contracts

The branch awarded contracts for studies, planning and engineering services, human services and youth projects, and services to the elderly and disadvantaged youth. These services and projects included various improvements to buildings, parks, street lighting, roads, drainage systems, sewers and treatment plants; training, prevention and intervention services; education and awareness of domestic violence and family crime; crisis counseling; and information and referral services. The following is a comparison of the consultant and personal services contracts for FY 07-08 and FY 06-07:

	<u>FY 07-08</u>	<u>FY 06-07</u>
Number of contracts awarded	133	140
Total dollar value	\$125,923,030	\$44,979,672

Property Management and Disposal Section

This section maintains the City's real and personal property inventories, disposes of the City's real and personal property, manages the City's real properties and administers the City's housing relocation program.

Personal Property Management

The City's personal property inventory, which includes equipment, machinery, and supplies and materials, is maintained on the City and County of Honolulu Enterprise Resource Planning System (C2HERPS). At the end of the fiscal year, C2HERPS contained 9,170 assets. The dollar value of the assets were: \$784,376,435.

Property Disposal

The section conducted one public auction and sold a total of 173 assets for \$191,616. License plates were recycled for revenues of \$936. Notices of these public auctions were available to subscribers of the Auction Notification System (ANTS). There are currently 30 subscribers who receive a year of notices by mail, e mail and/or fax. The application for ANTS is also available on the internet as a public service at www.honolulu.gov/pur/auctions.htm.

Real Property Inventory

Land. The City's Land assets decreased in FY08 from FY07 due to reclassification of Land assets into newly created classes called Other and Infrastructure Assets. The reclassification resulted in a decrease of 2000 assets from 22,935 to 20,935. The total land value in FY 08 was \$719,844,334 compared to \$1,641,229,172 in FY07, as a result of the new inventory classifications.

Other Assets

The City's Other assets amounted to 536 assets in FY 08. The total value in FY 2008 was \$460,515,006.

Infrastructure Assets

The City's Infrastructure assets amounted to 10,712 assets in FY 08. The total value in FY 08 was \$2,161,099,311.

Structures

The City's total asset value of Structures and Improvements to Land in FY 08 was \$2,011,815,500 compared to \$1,533,152,015 in FY07. The Structures and Improvements to Land assets increased by 53 from 3831 in FY 07 to 3,884 in FY 08.

Total Land, Other, Infrastructure, Structures, and Improvements to Land Values Assets

The total value of the City's Land, Other, Infrastructure, Structures and Improvements to Land totaled \$4,335,608,627 in FY 08 compared to \$3,174,451,187 in FY 07. The total assets for the City's Land, Other, Infrastructure, Structures and Improvements to Land totaled 27,029 for FY 08.

Real Property Management

Significant activities that occurred during this past year include:

- Centralization of the approval processes for the use of the City seal and city agencies official seals or logo types.
- Total Resource Management was hired by the City to assess the existing real property assets, infrastructure databases, business processes, functional and technical requirements, and developing a system implementation plan for a centralized electronic management information system that can be use as a tool for effective management of the City's real property assets.
- A total of 313 temporary concessions were awarded.
- There were a total of 68 existing agreements generating revenues for the rental of the City's surplus properties. The annual rental revenues generated were \$212,837.00. All lease documents from the City agencies were centralized and docushared within the Real Property Management, with access provided to the Real Property Assessment for real property tax assessments.

Real Property Transactions

The following are the transactions that occurred during the past year:

Easement grants for chilled water distribution lines for air conditioning purposes within Lewers Street and Kalia Road, Tax Map Key No. 2-6-03 to Outrigger Hotels Hawaii for \$57,190

Land Exchange with Kamehameha Schools for the City's Ilalo Street remnant parcels in exchange for the leased fee interests in Kulana Nani Apartments and the net amount of \$3.5 million.

Land Exchange with James and Lyle Hamasaki for a portion of the City's Bannister Place in exchange for a portion of the Hamasakis' property and the net amount of \$105,000.

Management of the Waimea Falls Park Conservation Easement, Tax Map Key No.5-9-05:various parcels; 6-1-02:various parcels

Easement grant for guy wire anchor purposes within the City's Kahaluu Regional Park for the easement fee of \$700, in conjunction with the State Department of Transportation's Kamehameha Highway, intersection Improvements at Kahekili Highway project

Fee conveyance of a portion of the City's drainage channel for nominal consideration to the State Department of Transportation in conjunction with Interstate Route H-1, Addition and Modification of Freeway Access, Palailai Interchange to Makakilo Interchange (Kapolei Complex Phase 1 Project, Tax Map Key No. 9-1-16)

Fee conveyance of the City's Makapuu Lookout for nominal consideration to the State Department of Land and Natural Resources for the Ka Iwi Scenic Shoreline Park, Tax Map Key No. 3-9-11:6

Transfer of the vacant property on Hanakahi Street to the Department of Community Services for special needs housing.

Restriction of access rights for Kapolei Property Development affecting Lot 8213-C, Tax Map Key No. 9-1-88:2, adjacent to the Kapolei Regional Police Station

Restriction of vehicular access rights over Boundary "A", being the boundary between a portion of the City's Ewa Villages Golf Course and a portion of the states' proposed North South Road.

Abandonment and discontinuance of use of the roadway stub, being a portion of Kaukama Road, adjacent to Tax Map Key No. 8-7-46:85, in conjunction with the Maili Kai Day Care Site dedication

Housing Relocation Section

This section administers the Federal Uniform Relocation and Real Property Acquisition Policies Act of 1970, as amended and the Hawaii Revised Statutes, Chapter 111, Assistance to Displaced Persons. Its mission is to (1) help the City complete its projects by relocating persons on a timely basis; (2) help displaced persons accept and ease the trauma of relocation by providing advisory services; and (3) provide information about relocation to any interested party. The City's Relocation Policies and Procedures can be found at <http://Cityfyi/fin/policy/31.20.doc>.

For FY2008, a total payment of \$597,086 was made for the following projects:

Ewa Villages Revitalization - Residential (2 tenants)	\$ 6,598
Middle Street Transit Center – Commercial (3 tenants)	558,975
Housing Code Enforcement – Residential (3 tenants)	2,940
West Loch Elderly Village – Residential (9 tenants).....	19,949
Kulana Nani Apartments – Residential (6 tenants)	8,624
Total.....	\$597,086

REAL PROPERTY ASSESSMENT DIVISION

Gary T. Kurokawa, Real Property Assessment Administrator

POWER, DUTIES, AND FUNCTIONS

The Real Property Assessment Division administers provisions of Chapter 8, Revised Ordinances of Honolulu, relating to the assessment of real property for tax purposes. It ensures real property assessment values are fair and equitable, based on market value and in accordance to applicable standards and laws.

The division's mission is to annually provide the City Council of Honolulu with a certified assessment roll. The Council uses this roll to set the tax rates for eight general land classes, and generate property tax revenues for the City. To accomplish its mission, the division identifies real property parcels and respective owners; appraises parcels; processes exemption and dedication claims filed; notifies owners of the assessments placed on their respective properties; settles real property assessment and tax appeals; and maintains and updates maps, ownership records, valuation records, and computer and other required files.

The division is located in the One South King Building at 33 S. King Street #101 and in Kapolei Hale at 1000 Uluhia Street. It is staffed by 111 permanent employees and is organized into four branches-- Administrative/Technical, Mapping, Support Services and Assessment.



One South King Building



RPA Public Research Room



RPA Public Counter

Administrative/Technical Branch

The Administrative/Technical Branch has 13 employees. This branch is responsible for the development of rules and regulations, administrative policies and procedures, building classifications, cost factors, training of appraisers and technical support for all counties in the state of Hawaii.

This branch amended sections of the Revised Ordinances of Honolulu including those relating to appeals and assessment notices. Internal audits are conducted to ensure that assessment values are in compliance to standard ratio studies established by professional appraisal and assessment organizations.

Mapping Branch

The Mapping Branch has 24 employees, six of whom are located in Kapolei. The Mapping Branch is responsible for maintaining ownership records and providing up-to-date tax maps influenced by subdivisions and parcel consolidations. In addition to our division, other government agencies and the general public use these maps and ownership records.

The Mapping Branch has made technological changes in processing ownership and mapping changes. They include the use of scanned images of recorded documents, and the updating of parcel data to the GIS base map.

The following are workload statistics for Assessment Year 2008:

Mapping Parcels	4,102
Documents Processed	35,826
Parcels Affected.....	49,745

Support Services Branch

The Support Services Branch has 16 employees, 4 of whom are located in Kapolei. This branch is responsible for customer service at the counter, on the phone, via email, and in the division’s research room.

This branch processes all homeowners’ and various other exemption claims, Board of Review appeals, and Tax Appeal Court cases. The Support Services Branch prepares adjustments to taxes resulting from amended property values, appeal decisions, and sale of government parcels.

The following are workload statistics for Assessment Year 2009:

Exemptions/Dedications Updated/Processed	55,304
Counter service.....	10,563
Telephone service	25,947

Assessment Branch

The Assessment Branch has 55 employees, 16 of whom are located in Kapolei. They are responsible for the annual valuation and authorized adjustments of real property parcels within the City and County of Honolulu.

The following are workload statistics for Assessment Year 2008:

Property appraisals	290,623
Building inspections	9,263
New Condo appraisals.....	1,274

Assessments and Exemptions

As of October 1, 2008, the branch assessed 284,934 tax parcels for Assessment Year 2009, including 121,435 condominium units and 336,836 buildings. A total of 160,832 exemptions were allowed. The following are totals for the last three years:

	<u>FY 09-10</u>	<u>FY 08-09</u>	<u>FY 07-08</u>
Tax parcels (includes condos).....	284,934	283,177	280,092
(condos)	121,435	120,161	117,836
Building records	336,836	333,500	324,118
Exemptions:			
Home.....	141,288	141,870	139,637
Others*	19,544	19,917	19,465
Appeals taken	3,042	2,873	7,462
Value on appeal	\$3,651,244	\$1,759,209	\$3,453,268
(in thousands of dollars)			

*Other exemptions include churches, hospitals, schools, govt. parcels, etc.

Boards of Review

There are three Boards of Review that resolves real property assessment and/or disallowances of exemption disputes between taxpayers and the real property tax assessor. There are two employees providing support of this function. These boards are attached to the division for administrative support and consist of five members each. Members are appointed by the Mayor and confirmed by the City Council for five-year terms.

- Ruth M.F. Lin, Chair (Term expires 6/30/2010)
- Wanda L.M. Ching, Vice-Chair (Term expires 6/30/2009)
- Henry W.H. Lau, Member (Term expires 6/30/2003)
- Mike Ellis, Member (Term expires 6/30/2013)
- Rosalinda On, Member (Term expires 6/30/2011)
- Rorie Urban, Member (Term expires 6/30/2012)

Second Board

- Wendell S.L. Ching, Chair (Term expires 6/30/2010)
- James W.Y. Wong, Vice Chair (Term expires 6/30/2009)
- Diane S. Yoshida, Member (Term expires 6/30/2011)
- Donald Lau, Member (Term expires 6/30/2013)
- Pamelyn Brown, Member (Term expires 6/30/2012)

Third Board

- H. Stanley Jones, Chair (Term expires 6/30/2010)
- Sonia Mendez, Vice-Chair (Term expires 6/30/2011)
- Lee D. Gordon, Member (Term expires 6/30/2009)
- Carolyn Golojuch, Member (Term expires 6/30/2012)

Tax Valuation and Taxes to be Raised

Assessed values are based on 100 percent of market value. Revenues to be raised and assessed valuations for the last three years are as follows (in thousands of dollars):

	<u>FY 09-10</u>	<u>FY 08-09</u>	<u>FY 07-08</u>
Gross assessed values+	191,211,298	190,699,156	191,491,948
Less: Exemptions	23,603,598	23,481,605	22,740,584
Less: 50% Value on Appeals	<u>1,825,622</u>	<u>879,604</u>	<u>1,726,634</u>
Net Value for tax rate	\$167,607,700	\$17,217,551	\$168,751,364
Taxes to be raised.....	\$ 836,448	\$ 804,120	\$ 790,164

+Gross assessed values do not include nontaxable properties.

Real Property Tax Rates

The City Council adopted the following tax rates for FY 2009-2010:

<u>Classification</u>	<u>Tax Rate Per \$1,000 Net Taxable</u>
Residential	\$3.42
Hotel and Resort.....	12.40
Commercial.....	12.40
Industrial.....	12.40
Agricultural.....	5.70
Preservation.....	5.70
Public Service.....	0.00
Vacant Agricultural.....	8.50

NUMBER AND AMOUNT OF EXEMPTIONS BY TYPE FOR THE FY 09-10

(Amounts in Thousands)

<u>Type of Exemption</u>	<u>Number</u>	<u>Amount</u>
Federal Government.....	385	\$ 5,755,198
State Government.....	3,182	11,856,349
County Government.....	2,099	5,359,590
Hawaiian Homes Commission	452	348,052
Hawaiian Homes Land	2,661	1,414,662
Hawaiian Homes - 7-Year	241	120,031
Homes – Fee.....	141,288	13,723,038
(Basic).....	91,124	7,830,000
(Multiple).....	43,094	5,060,685
Homes – Leasehold		
(Basic).....	3,423	306,221
(Multiple).....	1,639	190,939
In Lieu of Home Ex		
(Fee).....	1,937	323,129
(Lease).....	71	12,064
Blind	318	7,853
Deaf.....	107	2,619
Leprosy	4	100
Totally Disabled.....	3,016	74,429
Totally Disabled Veterans	862	516,156
Cemeteries.....	44	54,278
Charitable Organizations.....	881	1,688,420
Churches.....	843	1,823,619
Civil – Condemnation	25	33,636
Credit Unions	68	115,007
Crop Shelters.....	24	2,953
Foreign Consulates.....	29	42,364
Historic Commercial	3	22,446

Historic Residential.....	226	265,724
Hospitals.....	70	626,382
Kuleana.....	22	16,588
Landscaping, Open-Space.....	15	26,392
Low-Moderate Income Housing.....	257	1,386,105
New Construction.....	51	127,065
Public Utilities.....	489	845,339
Roadways and Waterways.....	3,034	13,102
Schools.....	121	738,328
Setbacks.....	7	1,108
Slaughterhouse.....	1	2,668
Miscellaneous.....	7	9,350
TOTAL.....	160,832	\$47,018,951

NOTE: Amount includes government parcels at actual value and exemptions on federal lease, if any.

TREASURY DIVISION

Edlyn S. Taniguchi, Chief of Treasury

POWERS, DUTIES, AND FUNCTIONS

The Division of Treasury is responsible for the City’s cash management, debt administration and certain accounts receivable. It maintains the City’s treasury, deposits moneys and invests funds as authorized by law. The Division issues and sells City bonds, paying interest on and redeeming them as required. It also bills and collects a variety of revenues and assessments, including real property taxes, improvement and business improvement district assessments, refuse disposal fees, refuse collection fees, real property rentals and concession contracts.

BILLING AND COLLECTION

Centralized Revenue Collections

The Division administers the receivables for real property taxes, special assessments, special sewer fees, cesspool fees, automotive fuel and maintenance fees, engineering inspector overtime and permit fees, wastewater engineering inspection charges, sewer lateral charges, recovery of road and sidewalk repair, recovery of costs for damaged traffic property, concession agreements, and lease rents.

Real Property Tax

Real property taxes account for approximately two-thirds of the City’s general fund revenues. In FY 09, the Division billed 273,606 accounts for \$800.3 million. Total FY 09 taxes collected were \$796.7 million.

Prior year delinquencies at the beginning of the fiscal year amounted to \$12.5 million. During the year, the Division collected \$6.2 million, representing approximately 49.6% of its delinquencies. On June 30, 2009, total delinquent real property taxes (outstanding FY 09 taxes plus prior year uncollected delinquencies) totaled \$16.0 million or 2.0% of the FY 09 taxes billed.

Improvement District Assessments.

The City assesses a charge to property owners in approved improvement districts for certain public improvements and services that benefit these owners. Improvement district accounts numbered 133, which paid \$42,000 in FY 09.

Waikiki Business Improvement District Assessments

The Business Improvement Districts (BID) assess a charge to property owners for services that benefit these owners. The BID 5,500 accounts paid \$2.1 million in FY 09.

Refuse Disposal Fees.

The City charges commercial haulers a refuse disposal fee for utilizing one of the city’s landfills or other solid waste disposal facilities. There were 308 active accounts that produced revenue of \$54.4 million in FY 09.

Refuse Collection Fees

Commercial customers incur a monthly refuse collection fee, based on their average refuse volume, for curbside pickup. In FY 09, commercial customers numbered 633 and remitted fees of \$505,000.

Sewer and Cesspool Fees

The Treasury Division collects fees from sewer users whose charges require special handling and from residential properties with cesspools. Revenues collected during FY 09 totaled \$25.3 million from approximately 1,200 accounts.

CASH MANAGEMENT

Interest Earned

During FY 09, deposits of \$2.5 billion and disbursements of \$1.7 billion flowed through the City treasury. The Treasury Division managed an average daily cash balance of \$1.4 billion. Of that balance, Treasury funds represented \$1.2 billion, while Board of Water Supply funds and Housing Development funds were \$161.4 million and \$17.2 million, respectively.

The City earned \$34.1 million in interest income in the fiscal year. Treasury funds generated \$27.5 million (average yield of 1.84%), Housing Development funds received \$0.2 million (average yield of 1.18%), and Board of Water Supply funds received \$6.4 million.

DEBT ADMINISTRATION

General Obligation Tax Exempt Commercial Paper Notes

The City Council authorized the issuance and sale of up to \$250 million of general obligation commercial paper. During FY 09, the City issued a total of \$75 million General Obligation Tax Exempt Commercial Paper Notes to fund projects in the capital budget. There were no General Obligation Tax Exempt Commercial Paper Notes outstanding as of June 30, 2009.

General Obligation Bonds Series 2007B

On April 6, 2009, the City delivered \$152,840,000 principal amount of the City and County of Honolulu General Obligation Bonds Series 2007B at a true interest cost of 4.379370%. Proceeds of the 2007B bonds were used to refund a portion of the General Obligation Bonds, Series 1999C.

General Obligation Bonds Series 2009A, 2009B and 2009C

On April 28, 2009, the City issued \$376,710,000 principal amount of General Obligation Bonds, Series 2009A, 2009B and 2009C, at a true interest cost of 4.681678%, 4.961924% and 1.891099% respectively. Proceeds of the 2009A bonds were used to redeem outstanding Tax Exempt Commercial Paper, the proceeds of the 2009B bonds were used to reimburse the temporary advances made for the H-Power purchase, and the proceeds of the 2009C bonds were used to refund a portion of General Obligation Bonds, Series 1999C.

General obligation bonds totaling \$87.2 million matured during the year. The outstanding general obligation bonds as of June 30, 2009 totaled \$2.21 billion of which \$258.6 million were for housing, H-POWER and solid waste disposal, and \$13.4 million were for sewer projects.

Under the Constitution of the State of Hawaii and applicable provisions of the HRS, general obligation bonds issued for self-supporting public undertakings, such as the water system and assessable public improvements, are excludable in determining the funded debt of the City to the extent that the reimbursements are made to the General Fund for the principal and interest due on such bonds out of net revenues for water system improvements and assessment collections for assessable public improvements. Of the total debt of \$3.86 billion on June 30, 2009, \$1.95 billion is therefore considered to be direct tax-supported debt for legal debt margin purposes.

The State Constitution limits the funded debt of any county to 15% of the net taxable assessed valuation.

Net assessed valuation of taxable real property, at 100% of fair market value	\$166.34 billion
15% of net assessed valuation of taxable real property.....	\$24.95 billion
Net funded debt.....	\$1.95 billion
Ratio of debt to assessed valuation.....	1.17%

The City's general obligation bonds are rated Aa2 by Moody's Investors Service, AA by Standard & Poor's and AA by Fitch Ratings. Its wastewater system revenue bonds senior series are rated Aa3 by Moody's Investors Service, AA- by Standard & Poor's and AA- by Fitch Ratings. The wastewater system revenue bonds junior series are rated A1 by Moody's Investors Service, A+ by Standard & Poor's, and A+ by Fitch Ratings.



2008 BFS Dragon Boat Team